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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's	)	
Rules and Policies to Increase	)	CC Docket No. 95-115
Subscribership and Usage of the	)	DOCKET FILE COPY ORIGINAL
Public Switched Network	)	

COMMENTS OF TELEPORT COMMUNICATIONS GROUP INC.

Teleport Communications Group Inc. ("TCG") hereby offers the following comments in response to the Commission's NPRM in the above-captioned proceeding.[1]

I. INTRODUCTION

TCG supports the Commission's efforts to increase overall subscription rates and to retain current subscribers on the nation's telephone network. As the nation's largest competitive provider of local telecommunications services, authorized with its affiliates to operate as a local exchange carrier in nine states, TCG strongly believes that competition will contribute to the advancement of universal service in every community and in every state. Competition will stimulate innovation, encourage better service, and drive prices lower as carriers compete for consumers and thereby lead to increased subscribership to telephone service. Notably, the competitive initiatives the

1. Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115, FCC 95-281 (rel. July 20, 1995) ("NPRM").

Commission is pursuing in other proceedings will have a large and positive impact on overall subscribership levels.[2]

In approaching the issue of increasing telephone subscribership, the Commission should recognize that the primary reason consumers typically drop their telephone service is economic.[3] The expansion of customized service and billing options can reduce the risk of disconnection for economic reasons to some degree,[4] but the best stimulus to increasing telephone subscribership is a competitive local exchange marketplace that leads to both lower prices and customized service and billing options.

II. PROPOSALS TO INCREASE SUBSCRIBERSHIP

A. Disconnection Related to Failure to Pay Long Distance Charges

1. Call Control Services

The inability of some consumers to afford toll calling accounts to a significant degree for their involuntary disconnection from the public switched telephone network. In this light, local carriers that offer consumers better control of their telephone bills can significantly help retain customers on the telephone network. Currently, there are several valid

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2. The Commission is currently reviewing competitive issues including number portability, high cost telephone assistance programs and administration of the North American Numbering Plan. These issues must be resolved in a manner that will allow market entrants to compete effectively with the incumbent monopoly service providers.

3. NPRM, ¶¶ 10, 14.

4. Id. at ¶¶ 16-21.

proposals for increasing subscribership such as improved customer service and new billing options.[5]

More such innovative proposals will certainly develop as competitors enter the local telecommunications market. For instance, call blocking and "multiple balance billing,[6] allow consumers to retain more control over their household telecommunications spending. By choosing to block toll calling, subscribers can eliminate some or all of the usage-sensitive portion of their bill,[7] yet continue to make and receive local calls, to receive long distance calls, and to make emergency/911 calls. Multiple balance billing disaggregates the various elements of the subscriber's telephone bill and offers consumers the opportunity to eliminate certain services and, if so desired, to enroll in call blocking.

As local competition develops, competitors are likely to initiate various call blocking plans to attract consumers. For example, a carrier may allow consumers to establish a pre-set monthly dollar limit on long distance calls, per-minute use limitations, or voluntary time-of-day restrictions. As competitors vie for consumer segments, these and other customized calling plans may well become commonplace necessities to enable

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5. Id.

6. Multiple balance billing separates a consumer's total telephone bill into separate baskets, such as local basic service, intraLATA toll, interLATA toll, optional services or non-basic services.

7. For subscribers with local measured service, the local bill remains usage-sensitive.

carriers to compete effectively for all segments of the local telecommunications market.

2. Assistance with Connection Charges and Deposits

The current LinkUp America plan provides assistance to carriers that offer reduced rates to low-income consumers that initially connect to the local telephone network.[8] This plan, however, is available only for incumbent local exchange carriers, which effectively denies customers the ability to select another local service provider. Consequently, TCG urges the Commission to make such funds available regardless of the local carrier chosen by the consumer. Unless consumers are given the opportunity to shop for the most suitable service option at the lowest price, many consumers may decide not to connect to the network at all.

If consumers can receive the benefits of any available subsidies while selecting the service provider whose offerings best suit their needs, then more consumers are likely to subscribe. In addition, fair and equal access to subsidies such as LinkUp will provide an incentive for competitors to market their services to low-income households.[9] Moreover, from the

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8. NPRM, ¶¶ 23-24.

9. As discussed further below, when subsidies are provided only to subscribers of incumbent local exchange carriers, entrants are disadvantaged because they must compete against subsidized services. Where margins are particularly low, such as in services to low-income households, such distribution of subsidies create an insurmountable market barrier. As a result, low-income households will be denied the benefits of competition: greater choice of service offerings and lower prices.

standpoint of advancing the Commission's pro-competition policies, absent access to the same subsidy sources as the incumbent local exchange carrier, new entrants will be competitively disadvantaged, and thus restricted to offering service to only a limited segment of the population. This result would clearly not serve the public interest: the benefits of competition should accrue to all consumers, including those with low incomes.

3. Disconnection Restrictions

TCG agrees that the inability of consumers to pay for long distance services should not preclude them from subscribing to local exchange service. Unpaid long distance fees are an issue to be handled between the long distance carrier and the subscriber. As long as subscribers pay their local service charges, they should not lose their local exchange service. Toll blocking or other such mechanisms can address the toll payment issue and can prevent disconnects due to "uncontrolled" toll usage.

The benefits of allowing consumers to retain their local exchange service cannot be controverted. With local exchange service, consumers can access emergency services, important toll-free numbers, and can receive long distance calls from others even without subscribing to long distance service themselves. Thus, allowing subscribers to maintain their local exchange telephone service is crucial.

4. Lifeline Assistance

Like the LinkUp America plan, Lifeline subsidies are currently disbursed only to incumbent local exchange carriers. Denying new entrants fair and equal access to such support flows ultimately will deny the benefits of competition to low-income households, depriving them of lower prices and customized service and billing options. Therefore, Lifeline subsidies should be made available to any local telecommunications provider serving eligible consumers. The competition that would flow from this arrangement inevitably will stimulate increased subscribership.

B. Services Targeted for Highly Mobile Low-Income Consumers

The Commission asks whether services such as voice mailboxes, personal identification numbers, and high-volume, low-cost central calling facilities could be effective tools in keeping highly mobile individuals connected to the telephone network.[10] Clearly, they would be, but the key to making these innovative services available at low prices is effective local competition. Without competition, consumers will be hostage to monopoly prices and these services will be, for all practical purposes, unavailable for many consumers.

C. Extending Telephone Service to Unserved Areas

New wireless technology, such as Personal Communications Networks ("PCN"), can provide a means of reaching areas that

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10. NPRM, ¶ 38.

cannot be served economically by wireline providers.[11] In order for wireless entrants to provide service to rural or urban consumers, however, certain prerequisites must be set. For example, like wireline entrants, wireless entrants require economic, reciprocal compensation agreements that will allow them to economically terminate traffic on the incumbents network. Without economic reciprocal compensation agreements, wireless entrants will be unable to provide unserved rural or urban consumers with service.

III. SUBSCRIBERSHIP BARRIERS AND MEASUREMENTS

TCG agrees with the Commission that a 100 percent penetration level is unattainable since some individuals will always make a decision to remain unconnected to the telephone network. In addition, individuals in transit from one location to another inevitably will be unconnected for short periods of time. Nonetheless, it should still be the Commission's goal to encourage the greatest number of individuals to be connected to the network, as this provides multiple benefits to both individuals and the nation as a whole.

The Bureau of the Census, through its Decennial census and Current Population Survey ("CPS"), tracks telephone penetration

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11. For some communities, the definition of an "unserved" area does not necessarily mean the complete absence of a local exchange carrier. In some parts of New York City, for example, penetration levels are well below the city, state, and national average, making those areas effectively unserved. Clearly, the telecommunications needs of these communities are not being met. Thus, the "unserved" area issue should be read to include both rural and high-cost urban areas.

levels. While the Commission expresses a concern that the census and the CPS may fail to capture wireless consumers,[12] TCG believes that the questions asked in each survey regarding telephone service are sufficiently broad to encompass wireless and wireline subscription levels and therefore the surveys may be given credence.

IV. CONSUMER AWARENESS ISSUES

As the Commission recognizes in its NPRM (at ¶ 13), a large percentage of non-subscribers have previously received telephone service. Therefore, presumably these persons would be inclined to receive service in the future if it were available to them. In this light, it would make sense to educate subscribers before their telephone service is terminated, as is the practice in many states where local exchange carriers are often required to notify consumers of unpaid bills and offer them the opportunity to make payments. TCG supports such consumer notification requirements for all providers of local exchange services. Furthermore, TCG believes that competition will provide strong incentives for all providers of local exchange service to develop new and innovative arrangements to keep consumers on their networks.

Another practical approach to encouraging increased subscribership is to streamline certification of eligibility for enrollment in assistance programs. Automatic enrollment of all eligible households via notification of the consumer's carrier by a state social service agency is one practical approach that

12. NPRM, ¶ 45.

would streamline enrollment. It should be recognized, however, that improved approaches for enrollment raise questions regarding fraud, privacy, and efficacy.

A recent study of California's program, for example, reported that approximately one out of every ten subscribers receiving assistance failed to meet one or more of the eligibility criteria.[13] Other states are concerned that automatic enrollment may violate a consumer's right to privacy, and others may view current eligibility and certification standards as adequate and effective. To allow the greatest degree of flexibility, TCG recommends that the states be given the latitude to strike the right balance among these competing concerns. By permitting state experimentation, a number of successful approaches will develop, thereby satisfying the universal service needs of each state and the goals of the Commission.

V. LEGAL AUTHORITY

The Communications Act grants the Commission the authority to preclude the disconnection of local services due to the failure to pay interstate charges. In exercising its authority over interstate telecommunications, pursuant to Sections 201(b) and 205 of the Act, the Commission can determine as a matter of policy that disconnection of local exchange service for failure

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13. SRI International, A study to Assess Customer Eligibility and Recommend Outreach Activities for the Universal Lifeline Telephone Service, Final Report, Executive Summary at ES-1, ES-2 (November 1993).

to pay interstate bills is an unreasonable practice, and that less drastic means, such as toll limitations, are preferred. This action would allow the Commission to carry out its mandate under Section 1 of the Act to make available, so far as possible, to all of the people of the United States nation-wide communication service at reasonable charges. It is appropriate that the Commission exercise its authority as proposed above to effectuate the important Commission policy of encouraging the widest possible subscribership to telephone service.[14]

VI. CONCLUSION

TCG supports the Commission's efforts to increase subscribership to the telephone network. Increased subscribership can be best realized if the Commission ensures that all local exchange service providers have fair and equal access to the funding arrangements used to assist individuals in obtaining and keeping telephone service.

Respectfully submitted,

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14. See, e.g., NARUC v. FCC, 525 F.2d 630 (D.C. Cir. 1976).